

EXHIBIT B**TO DECLARATION OF MICHAEL N. EDELMAN
IN SUPPORT OF ADVANCEME, INC.'S OPPOSITION TO
DEFENDANTS' MOTION FOR LEAVE TO AMEND INVALIDITY CONTENTIONS**

For:

Page 1 of 1

Gerould, Elaine

From: David Goldin [dgoldin@amerimerchant.com]

Sent: Thursday, April 27, 2006 4:20 PM

To: Lille, Tim

Subject: Forbes article

got your message -- I will try you back shortly. I did find the Forbes article (see attached)

Gale Databases from NYSL from LSTA funds and Back to NYPL

Business & Company
RESOURCE CENTER

Home Company Industry Articles Advanced Search

Enter your search term(s): Company Search

Print Email Mark this document Revise Search Results List

Help Gale Resources List of Sources

Article 1 of 1

All Articles in this Issue

Related Subjects

Direct marketing
New business
enterprises

Forbes, June 8, 1992 v149 n12 p120(2)

"People thought I was nuts."

(Randall Bourne starts his own business, Exposures Inc.)
Manjeet Kripalani, Tatiana Pouschne

Abstract: Randall Bourne started his direct-mail photograph-frame business on \$400,000 after his first child was born. His company, Exposures, will gross \$15 million in 1992. Bourne's marketing strategy is discussed.

Full Text: COPYRIGHT 1992 Forbes, Inc.
What drives a man to start a business? In this case, becoming a father, but not for the reason you think.

RANDALL BOURNE got the idea for his business when he became a father. Like most proud papas, he accumulated dozens of snapshots of his new daughter. But why just shove them off in a drawer somewhere? Shopping around for frames and albums, he was disappointed in what he found. Other people, he reasoned, must have similar experiences. Thus was born Exposures Inc., a \$15-million-a-year business selling photo frames and albums via mail-order catalog.

Like every entrepreneur we've ever met, Bourne drew on his past experiences. An amateur photographer and dedicated surfer, he started his business life with a little photo studio one block from California's Manhattan Beach in 1973, after he graduated from the University of Southern California. It was a serious effort, but, he confess, he "spent a lot of time surfing." Closing the shop, he drifted down to Costa Rica to think things over and be near good surfing. His self-analysis led him to decide to go to business school. When he graduated from USC in 1979 with a master's in business administration, he headed to New York City and a job with Scall, McCabe, Sloves, an advertising agency. One of his tasks was helping to create a direct marketing program for Nikon Camera.

Though he liked advertising, Bourne missed the excitement of decision making. "In the advertising business, you can make neat campaigns you recommended to your clients, but they make the decision," he explains. "I wanted to be on the other side of the table."

In 1982 little Kirsten was born. "Your pile of pictures for the first child is probably

Business & Company Resource Center -- News/Magazine Display Page

Page 2 of 3

six times as big as the one for your second," says Bourne, recognizing that the zeal for kid-snapping fades with the realization that the photos are rarely looked at.

Yet Americans were taking 40 million photographs a day--and in most cases they didn't know what to do with the results. Such photo frames as were widely available were cheap-looking commodity items, sold mainly on price.

While still at Scall, Bourne spent two years researching the photo frame market. His research showed that people would take their snapshots out of drawers if they had an attractive way to display them. Bourne decided to go into the photo frame business. "Should I become a manufacturer, or have a store or become a national player?" he asked himself.

Manufacturing or developing a chain of specialty stores would cost a fortune, and take time. Direct marketing, he realized, would enable him to establish a national presence in a few months. Direct marketing it was to be. "At the time [1986] cataloging was hot and romantic," he says. It was growing 15% a year, twice the rate of U.S. retail overall.

Bourne knew full well that most new ventures fail, but what the heck. He was just 34, and he figured he could always go back to an advertising job. His kids--there were now two of them--would never knew he'd failed.

In February of 1986 he quit Scall. For his new business he raised nearly \$400,000; he had \$40,000 himself, his family threw in \$300,000, and a shopkeeper whose photo frames he liked put in \$20,000.

Exposures Inc. began life in the Bournes' living room in Old Greenwich, Conn. The only employee was a secretary installed in the spare bedroom. Bourne began his search for products. He attended trade shows, pored over magazines and walked the streets to find suppliers. Good-looking frames existed, but they had never had a proper marketing exposure. Suppliers, he recalls, were quite skeptical. "I was walking around with this roughed-up kind of catalog dummy," recounts Bourne. Half of the manufacturers he approached wouldn't sell to him; the other half, only if he paid in advance of shipment. But Bourne lined up suppliers and designed some albums himself, selecting materials and approaching bookbinders to make up orders.

Bourne then paid a list broker \$10,000 to rent 20 lists of 5,000 subscribers each. Those lists broke down into four or five market categories, such as young families, highpriced gift buyers and photographers.

Preparing the catalog seemed to eat money. Bourne spent \$25,000 on design and photos, \$15,000 for color separation, \$25,000 on printing. And, of course, he had to buy inventory and warehouse it.

By July he was ready. "I gambled \$100,000 on that first mailing (excluding overhead and warehousing). People thought I was nuts," Bourne says. "Photo frames, yes, but in a catalog?" Then there was price. Frames in the Exposures catalog ranged from \$25 to \$165, compared with the average \$19 frames sold in the stores.

Within six months, Bourne knew he had a business. The first mailing produced revenues of \$100,000, and he learned that proud parents were better prospects as a group than photo buffs. The second and third mailing brought in \$400,000 of sales each, reflecting improvements in product lines and mailings as a result

Business & Company Resource Center -- News/Magazine Display Page

Page 3 of 3

of feedback from the first mailing.

Finding capital remained a problem, but Bourne was innovative. Postage was his largest expense, and in 1989, when he needed money, he turned to his credit card processor, a New Hampshire-based company called Little & Co. Little agreed to finance his postage by discounting his credit card receivables. It was such a good idea, other catalogers have followed suit.

Bourne's catalogs are innovative too. He works hard to make them chatty. For example, he introduces a "grandma locket" like this: "Grandmothers today are a breed apart from the rocker-bound knitters of yesteryear, but...they still love to brag about grandchildren." The photo frames in the catalog always contain pictures of customers instead of glamourous models.

This year Exposuras expects to sell \$15 million worth of merchandise and net \$450,000.

End of story? Alas. Starting a business isn't that easy. Bourne had a success, but he ran out of money. The three mailings had left his finances depleted and the fourth exhausted them in 1987. His bank was in trouble itself and unwilling to lend him money. He could have chosen to sell out to a public cataloger, but he scorned the offering price: The \$1 million he was offered was not even tempting. Reluctantly, Bourne approached venture capitalists—vulture capitalists, entrepreneurs sometimes call them. He got a \$1.2 million capital infusion from two venture firms, New York's First Boston and Connecticut's Consumer Venture Partners.

It was a harsh deal. Bourne had to give up 80% of the equity. "So I gave up majority control, but I am still chief executive officer and entrepreneur," he says.

His remaining 20% is now worth a great deal of money--and his backers are very happy. Bourne is too busy with plans for expanding his business to spend much time regretting having to give up most of his company to bekkers. Two possibilities: starting a second catalog that would include collectibles and home furnishings or acquiring complementary companies. Meanwhile, he now surfs twice a year instead of twice a day.

Bus. Coll.: 65U1997
Mag. Coll.: 64J1545

Article A12268981

Article 1 of 1

Top of Page

[Help](#) | [Search Tips](#) | [Gale Databases](#) | [List of Sources](#) | [Contact Gale](#) | [Comments](#)

THOMSON
GALE
Copyright and Terms of Use